

## CIRCULATION OF THE SMALLER NOTES.

FEBRUARY 18, 1880.—Recommitted to the Committee on Coinage, Weights, and Measures and ordered to be printed.

Mr. WARNER, from the Committee on Coinage, Weights, and Measures, submitted the following

### REPORT:

*The Committee on Coinage, Weights, and Measures, to which was referred the petition of the Bullion Club of New York, respectfully reports as follows:*

#### PETITION OF THE BULLION CLUB OF NEW YORK.

*To the House of Representatives of the Congress of the United States:*

Your petitioners, the Bullion Club, an association representing so vital an industrial interest of the country as its production of the money metals, would respectfully but urgently represent to your honorable body that under the present monetary system there is not and cannot be a general practical use of specie money in the country, such as was contemplated by the framers of the Constitution of the United States. Under our present system, wholly reversing the practice of such commercial nations as Great Britain, France, and Germany, who are not producers of the money metals, we, who are the chief producers of gold and silver in the world, virtually coin all the gold we produce, together with that which we import, into pieces of the denomination of twenty dollars, wholly unsuited for the currency purposes of the people and forcing the vast retail transactions of our country to be carried on necessarily in paper money (in part not legal tender, the national-bank notes, and the other part of disputed legal tendership) of the denomination of ones, twos, fives, and ten-dollar bills. Therefore, your petitioners would respectfully urge upon your honorable body the necessity for restricting from further circulation all emissions of paper money below the denomination of twenty dollars, with such a coinage of gold and silver hereafter at the several mints of the United States that, in lieu of the withdrawn five and ten dollar bills, a gold coinage of these denominations, with quarter-eagles, may get into circulation, and silver money take the place recognized for it in the Constitution. The time, as your petitioners believe, is propitious for wise legislation on this subject. In addition to the large amount of gold and silver in the country on the 1st of January last, when resumption took place, we have since produced nearly \$80,000,000 of gold and silver, and have imported from Europe about the same amount. This sum of bullion has, so far, not been utilized in our currency, but lies, under our system, necessarily inert in the Treasury vaults, in banks, and in private safe-deposit companies. We do not wish to express any opinion touching the desirability of expanding or contracting the paper currency of the country, nor have we any issue to make as to the wisdom or policy of retaining the legal-tender power of the so-called greenbacks; but if it is possible to induce the national banks to hold their reserves in coin instead of in Treasury notes, and, in addition, to withdraw the small bills, we hope that Congress in its wisdom will so legislate, and thus give our people an opportunity to have a specie currency, for which the mines of the country are annually supplying an abundance of the money metals.

And your petitioners will ever pray.

D. G. CROLY, *Secretary.*

The Bullion Club represents that "under the present monetary system there is not and cannot be a general, practical use of specie money

in the country," and asks to have the issue of paper money below the denominations of twenty dollars prohibited.

The committee concedes that when the channels of circulation in any country are filled by a volume of paper large enough to sustain of itself prices at the level of prices in other countries, metallic money will not go into circulation but will be drained to countries where it is demanded for currency. Hence, under a system like ours, which permits the issue of paper money of all denominations by banks, with no other restrictions on the amount issued but such as security of final payment in government legal-tender paper may impose, metallic money cannot be expected to be held permanently in circulation. For it is believed to be a primary law of currency that a larger volume of paper money cannot be kept in any country, convertible into coin, or even permanently at par with metallic money, than that country would have as its distributive share of the world's supply of the metals if it had no paper. It is equally true that when the paper money of a country constitutes a volume as large as that country would naturally have of coin if there were no paper, coin will cease to circulate.

If denominations of paper money below twenty dollars were prohibited in the United States, coin would undoubtedly flow into channels now filled with the smaller denominations of paper.

But other questions arise when the proposition comes up to abolish paper money of small denominations. The greater convenience of paper money over coin is one of the principal reasons for the use of paper at all, and it will hardly be claimed that there is no convenience in paper of denominations below twenty dollars. That there is often great convenience in having one and two dollar notes, to say nothing of fives and tens, can hardly be questioned. Even fractional paper currency, in small quantity, has been found very convenient.

There are three ways by which paper currency can be regulated so as both to maintain its equivalency with metallic money and permit at the same time the concurrent circulation of coin, and consequently its permanent retention in the country:

*First.* By limiting the issue of denominations of paper money, as proposed in the petition, to twenty dollars and over. In this case coin, if unrestricted, will come in to take the place of the smaller paper currency.

*Second.* By a due limitation of the *total volume* of paper, leaving the denominations to be determined by the conveniences of trade.

Suppose, for instance, that in the course of its international trade a country would possess, at a given time, as its proportion of the world's money supply, \$800,000,000. Then, if the total quantity of paper be strictly limited within that volume, or say to five, six, or seven hundred millions, coin would flow into the various channels as needed to supplement the paper circulation. In that case paper and coin together would circulate and vary as a purely metallic currency would vary; that is, with the course of the exchanges or the tide of international trade. The metals in that case, in response to trade oscillations, would flow to or from a country in settlement of balances, the same as if the whole internal circulation were coin.

*Third.* By the establishment of a purely metallic currency, with true paper representatives, dollar for dollar, which might then be of all denominations which convenience required; that is, let gold and silver coin and gold and silver bullion be made the foundation of as much paper and of such denominations as might be demanded. Of such paper, which being the actual representative of and title to the metals, there

could never be inflation, nor could there be violent contraction if there were no restrictions, as there should never be, on the use of the metals.

Of these methods of dealing with the currency to make way for the use of the metals, in the opinion of the committee, a combination of the second and third methods, with perhaps some limitation on the quantity of smaller denominations, would best subserve the ends of a currency; that is, restrict absolutely the volume of paper, not representing the metals, to some amount as far within the limits of such volume of metallic money as would probably exist if there were no paper, as circumstances would justify, leaving additions to be made by gold and silver coin, or certificates representing the metals, to any extent that our trade and commerce may call for. Of course it is essential to this, as to any other automatic system, that the metals should be left absolutely to self-regulation, and that the coinage and the deposit of bullion should be open and free to all.

Without due restriction and regulation of the volume of paper, the committee deems it idle to expect to secure a permanent metallic currency, or to see even any considerable part of our circulation become temporarily metallic.

The promise to pay on demand, however secure the promise ultimately may be made by the deposit of bonds, is not such a regulation of volume, and consequently of the value of a currency, as is necessary to maintain sure convertibility, or even its permanent equivalency with the metals. This, it is believed, is not only the teaching of science, but has been confirmed over and over by the experience of the world.

The committee, therefore, while concurring in the main purpose of your petitioners, recommends, however, instead of prohibiting denominations of paper below twenty dollars, that the volume of paper money, which is now nearly \$700,000,000, be limited at least to its present volume by prohibiting any additional issues of paper founded in credit only; and it further recommends that the metals alone shall hereafter be relied upon for needed increase in the volume, with provisions for bullion certificates, with automatic regulations through free coinage and deposit of the metals.

Your committee, therefore, recommends that the petition be laid on the table.

